

sound and cultivated capacity of the Bank; (%) there existed an additional protection in the fact of the financial stability of the banks and "accepting" houses on which the majority of these bills were drawn—banks and houses rendered the more stable by being able to conduct more freely their profitable business through this State provision; and (3) a kind of sinking-fund, or insurance premium, was implied in the additional 2 per cent for discount. When this arrangement was completed, the bank rate stood at 5 per cent, so that the real charge for discount was 7 per cent, and the Chancellor of the Exchequer afterwards stated that 2£ per cent belonged to the Government as compensation for the taxpayer's risk, 4 per cent to the Bank of England, and 1 per cent for the Bank's expenses in conducting the work.

A large amount of these "pre-Moratorium" bills, as they were named, was discounted by the Bank of England; a momentary revival of commercial energy appeared in the Money Market; but stagnation still generally persisted, for, while the banks and discount houses had thus acquired an important store of cash by the sale of "pre-Moratorium" bills to the Bank, there seemed to be no corresponding utilisation of these released resources in the grant of fresh loans and discounts, owing to the extreme caution evidently exercised in the selection of new bills. A further Proclamation was accordingly issued, which need not detain us. The postponement was applied (with conditions) to bills of exchange which had not been reaccepted under a prior Proclamation; but the main provision widened the deferment of payments to debts due from any banks whose principal place of business was situated in any portion of the British Dominions and Protectorates, notwithstanding the fact that those debts were not incurred within the British Islands, and that the banks in question possessed no business establishment or branch within those Islands. Thus the purpose of the guarantee had failed to achieve with any completeness the expectation which was

justifiably entertained. The current of commercial . transactions was not refreshed by the undertaking of new business in the discount market—the purchase of fresh bills. It seemed to observers that the banks, with this accession of available funds from